



Committee On Finance

Max Baucus, Ranking Member

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Baucus Pushes for Quick, Responsible Movement of Manufacturing Tax Relief Bill *Today's Members Meeting Gets Ball Rolling Toward Mark-Up, Passage*

(WASHINGTON, D.C.) U.S. Senator Max Baucus today joined U.S. Senate Finance Chairman Chuck Grassley in leading discussions with members of the Finance Committee to promote legislation that will provide tax relief to domestic manufacturers in order to help protect and create American jobs.

The Grassley-Baucus bill, Jumpstart Our Business Strength (JOBS) Act, will both cut taxes for domestic manufacturers and simplify taxes for U.S. companies operating overseas. Baucus today stated that passage of the bill is "of crucial importance."

"There are about 400,000 manufacturing plants in the U.S. and manufacturing makes up 25% of Montana's economic base. This important American industry has been hard hit by the sluggish economy and it's time to take action and provide relief," Baucus said. "I'm pleased with the proactive legislation Chairman Grassley and I have introduced, which will help prevent additional layoffs and ideally, create even more manufacturing related jobs. We're committed to moving this bill forward as quickly as possible."

The Grassley-Baucus manufacturing legislation would replace the Foreign Sales Corporation/ Extraterritorial Income (FSC/ETI) tax regime, which has been ruled as an impermissible export subsidy by the World Trade Organization. FSC/ETI was implemented in order to help U.S. manufacturers compete with European manufactures that do not pay EU value-added taxes on their exports.

Baucus also emphasized today that while he looks forward to speedy passage, he wants to ensure that any additions to the bill are made with caution and input from Committee members and from manufacturers from around the country.

"Our bill works to replace a tax incentive that was dependant on exports with a tax incentive that is *not* dependant on exports - it's vital that we adapt and expand the definitions of eligibility carefully to make sure we provide effective, substantive tax relief," Baucus said. "For example, under FSC/ETI, processed softwood lumber was not eligible for tax relief. I'm not sure that this provision makes sense anymore -- let's explore providing a tax break to all softwood manufacturers."

Baucus said that he is also examining expanding tax breaks to partnerships and sole proprietorships. The bill currently covers only C Corporations and S Corporations.

"Our smaller businesses deserve tax relief just as much as our larger businesses. In addition, if we make partnerships and sole proprietorships eligible, more of our agriculture producers will also be able to enjoy this important tax break. By widening our tax relief umbrella, we'll be protecting even more American jobs."

Baucus stressed that it is necessary to move the JOBS bill through Congress quickly in order to avoid potential European Union (EU) sanctions that could result in manufacturing job losses.

Chairman Grassley today announced that the mark is expected to be released tomorrow, with full Committee mark-up expected on Wednesday, October 1, 2003.

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